

South Carolina Board of Economic Advisors

Statement of Estimated State Revenue Impact

Date: February 28, 2007

Bill Number: H.B. 3415

Authors: Hosey; Jefferson

Committee Requesting Impact: House Ways & Means Committee

Bill Summary

A bill to amend the Code of Laws of South Carolina, 1976, by adding Section 12-21-635 so as to impose an additional tax of 1.5 cents per cigarette; to establish the Smoking Cessation and Health Care Fund into which must be deposited fifty percent of the revenue generated from the imposition of this tax and which must be administered by the Department of Health and Human Services for reimbursement of an individual's personal expenses related to smoking cessation and smoking related health care devices, equipment, and programs; and to provide that the remaining revenue generated by this tax must be credited to the General Fund and appropriated annually by the General Assembly to address health needs of South Carolinians, including using such funds for Medicaid matching funds.

REVENUE IMPACT ^{1/}

This bill is expected to increase business license tax revenue by an estimated \$89,390,000 in FY2007-08. Of this amount, the Department of Health and Human Services would receive fifty percent, or an estimated \$44,695,000, and the remaining fifty percent, or an estimated \$44,695,000, would remain in the state General Fund. This bill would also reduce General Fund business license tax revenue by an estimated \$908,958 in FY2007-08.

Explanation

This bill would add Section 12-21-635 to allow an additional 1.5 cents to be levied on each cigarette made of tobacco or any substitute for tobacco pursuant to Section 12-21-620(1). An additional 1.5 cents on each cigarette equates to a 30-cent surcharge on each pack of 20 cigarettes, raising the state excise tax to 37 cents per pack of 20 cigarettes. Because the effective date of this bill is September 1, 2008, the higher surcharge would be in effect for ten months, and is expected to generate an estimated \$89,390,000 of business license tax revenue in FY2007-08. The Department of Health and Human Services would receive fifty percent of the revenue collected from the surcharge, or an estimated \$44,695,000 in FY2007-08, to be allocated to a new Smoking Cessation and Health Care Fund to be used for smoking-related expenditures. Also, fifty percent, or an estimated \$44,695,000 would remain in the state General Fund to be appropriated for health care and Medicaid match funds. Because the higher tax will reduce cigarette demand, the Business License tax currently allocated to the General fund will be reduced by an estimated \$908,958 in FY2007-08.

/s/ WILLIAM C. GILLESPIE, PH.D.

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^{1/} This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.